

Area Agency on Aging 1-B testimony before the House Insurance Committee

on SB 1293-4 to Convert Blue Cross of Blue Shield of Michigan to a Nonprofit Mutual Insurance Company

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My name is Jim McGuire, and I am the Director of Research, Policy Development, and Advocacy for the Area Agency on Aging 1-B, which serves the counties of Livingston, Macomb, Monroe, Oakland, St. Clair and Washtenaw.

Thank you for this opportunity to address aspects of the proposed changes to the structure of Blue Cross Blue Shield of Michigan (BCBSM), which will affect access to health insurance for hundreds of thousands of older Michiganians and adults with a disability. Seniors have come to depend on BCBSM for providing high quality and affordable health insurance options, and we believe that it is important to provide as many protections as possible as plans for the transition are considered and implemented. The AAA 1-B does not support or oppose the conversion of BCBSM, but does have several concerns about the impact the bills will have on older adults and that we believe should be addressed before passage of the legislation.

First I want to acknowledge the work that was done in the Senate to resolve key shortcomings on the original bills, and advocate that these provisions be preserved:

- Preserving the escheats program that provides respite for family caregivers
- Codifying the Michigan Health and Wellness Foundation into law and assuring senior representation
- Mandating that a portion of the BCBSM contributions to the Foundation be directed to continuing some level of subsidy for low income Medigap subscribers to preserve access to the legacy plans.

The AAA 1-B accepts the fact that the health care world is changing, and that public institutions may not be able to afford to maintain the level of benefits we have made available to seniors as in the past. However, we must assure that all seniors will continue to have access to choices, and that the most needy have access to affordable health care. Several proposed changes in the bill threaten access and choice.

Seniors and adults with a disability now have guaranteed access to community rated Medigap policies, thanks to BCBSM and PA 350. If the legislation passes as is, when the current agreement between BCBSM and the Attorney General freezing Medigap policy rates expires in 2016, there is no assurance that BCBSM will offer the Medigap legacy policies that about 220,000 seniors now prefer. This could create a mass expulsion of 220,000 seniors forced to find other options, and could leave many individuals with pre-existing conditions with no Medigap insurer that will accept them. Many would be forced to go bare or forfeit their ability to control their own care and enroll in a managed care plan.

A provision in law prohibiting BCBSM from withdrawing their legacy Medigap policies from current subscribers, in other words, grandfathering them in to continued coverage, would at least protect current policy holders. Further language could ensure that our state's nonprofit insurer also provide this option for future Medicare beneficiaries. We understand that after 2016 BCBSM policies will be priced near or at their true cost. It is reasonable to ask those who can afford to pay the full cost of their insurance to do so. As long as the proposed means tested subsidy program is in effect for those with the greatest need, this change should not impose undue or unreasonable hardship.

The legislation implies that a portion of the BCBSM contributions to the foundation be invested in an endowment that will support future health and wellness activity beyond the 18 years that BCBSM will be making active contributions. We support this idea and believe that this planned use of contributions specifically be stated in the law.

We are also concerned over the enforceability of changes to the language that BCBSM "shall use best efforts" to make contributions up to \$1,500,000 over a period of 18 years. We believe the bill should make it clear that contributions must be provided except under the most extreme circumstances, and should define what criteria would necessitate a deferment of contributions.

Thank you for this opportunity to share our thoughts and concerns about the bills.

Jim McGuire
Director of Research, Policy Development and Advocacy
Area Agency on Aging 1-B
29100 Northwestern Highway, Suite 400
Southfield, Michigan 48034
(248) 262-9216
jmcguire@aaa1b.com